



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
NELSON COUNTY CLERK**

Calendar Year 2000

**EDWARD B. HATCHETT, JR.
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EXECUTIVE SUMMARY
AUDIT EXAMINATION OF THE
NELSON COUNTY CLERK

Calendar Year 2000

The Auditor of Public Accounts has completed the Nelson County Clerk's audit for calendar year 2000. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

Financial Condition:

The County Clerk had gross receipts of \$6,977,548 and total disbursements of \$6,689,621, which includes the Clerk's statutory maximum and expense allowance. The remaining \$287,927 balance was excess fees paid to the County Treasurer on January 16, 2001.

Deposits:

The Clerk's deposits were insured and collateralized by bank securities or bonds

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EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Dean Watts, Nelson County Judge/Executive
Honorable Phyllis Mattingly, Nelson County Clerk
Members of the Nelson County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the County Clerk of Nelson County, Kentucky, for the year ended December 31, 2000. This financial statement is the responsibility of the County Clerk. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the County Clerk for the year ended December 31, 2000, in conformity with the basis of accounting described above.

To the People of Kentucky
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In accordance with Government Auditing Standards, we have also issued our report dated October 18, 2001, on our consideration of the County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett".

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
October 18, 2001

NELSON COUNTY
 PHYLLIS S. MATTINGLY, COUNTY CLERK
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

Calendar Year 2000

Receipts

State Fees For Services \$ 14,153

Fiscal Court 34,780

Licenses and Taxes:

Motor Vehicle-

Licenses and Transfers \$ 906,747

Usage Tax 3,170,555

Tangible Personal Property Tax 2,285,584

Lien Fees 15,603

Marriage Licenses 8,771

Deed Transfer Tax 115,989

Delinquent Tax 141,200 6,644,449

Fees Collected for Services:

Recordings-

Deeds, Easements, and Contracts \$ 30,093

Real Estate Mortgages 68,125

Chattel Mortgages and Financing Statements 117,953

Powers of Attorney 2,544

All Other Recordings 42,041

Charges for Other Services-

Copywork 12,615

Elections 1,285

Miscellaneous 1,160 275,816

Interest Earned 8,350

Gross Receipts \$ 6,977,548

Disbursements

Payments to State:

Motor Vehicle-

Licenses and Transfers \$ 706,541

Usage Tax 3,075,270

Tangible Personal Property Tax 862,928

Licenses, Taxes, and Fees

Delinquent Tax 33,438

Legal Process Tax 40,019

Candidate Filing Fees 4,648 \$ 4,722,844

NELSON COUNTY
 PHYLLIS S. MATTINGLY, COUNTY CLERK
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
 Calendar Year 2000
 (Continued)

Disbursements (Continued)

Payments to Fiscal Court:

Tangible Personal Property Tax	\$	269,305	
Delinquent Tax		20,625	
Deed Transfer Tax		<u>110,189</u>	\$ 400,119

Payments to Other Districts:

Tangible Personal Property Tax	\$	1,061,927	
Delinquent Tax		<u>46,708</u>	1,108,635

Payments to Sheriff 3,626

Payments to County Attorney 26,971

Operating Disbursements and Capital Outlay:

Personnel Services-			
Deputies' Salaries	\$	235,483	
Employee Benefits-			
Employer's Share Social Security		22,395	
Employer's Paid Health Insurance		32,040	
Contracted Services-			
Advertising		431	
Rental and Maintenance Agreements		20,448	
Materials and Supplies-			
Office Supplies		19,008	
Other Charges-			
Conventions and Travel		2,006	
Dues and Miscellaneous		11,154	
Postage		4,504	
Repairs		<u>5,000</u>	352,469

Capital Outlay-

Office Equipment		<u>3,579</u>	
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Total Disbursements \$ 6,618,243

NELSON COUNTY
PHYLLIS S. MATTINGLY, COUNTY CLERK
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
Calendar Year 2000
(Continued)

Net Receipts	\$ 359,305
Less: Statutory Maximum	<u>67,778</u>
Excess Fees	\$ 291,527
Less: Expense Allowance	<u>3,600</u>
Excess Fees Due County for Calendar Year 2000	\$ 287,927
Payment to County Treasurer-January 16, 2001	<u>287,927</u>
Balance Due at Completion of Audit	<u><u>\$ 0</u></u>

The accompanying notes are an integral part of the financial statement.

NELSON COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2000

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, certain receipts and certain expenditures are recognized as a result of accrual at December 31, 2000.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.28 percent for the first six months and 7.17 percent for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

NELSON COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2000
(Continued)

Note 2. Employee Retirement System (Continued)

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

Note 3. Deposits

The County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 64.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of December 31, 2000, the County Clerk's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the County Clerk's agent in the County Clerk's name, or provided surety bond which named the County Clerk as beneficiary/obligee on the bond.

Note 4. Leases

A. Copier

The office of the County Clerk entered into a lease agreement with Fidelity Leasing, Inc. for a copier. The agreement requires a monthly payment of \$68 for 48 months to be completed on November 27, 2002. The balance of the agreement is \$2,301 as of December 31, 2000.

B. Copier

The office of the County Clerk entered into a lease agreement with Xerox Corporation for a copier. The agreement requires a monthly payment of \$151 for 60 months to be completed on October 10, 2003. The balance of the agreement is \$4,970 as of December 31, 2000.

<u>Year Ending</u>	<u>Principal and Interest Due</u>
December 31, 2001	\$ 1,807
December 31, 2002	1,807
December 31, 2003	<u>1,356</u>
Total	<u>\$ 4,970</u>

NELSON COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2000
(Continued)

Note 4. Lease (Continued)

C. Computer Hardware

The office of the County Clerk is committed to a lease agreement with Software Management, Inc. for a main computer station and five (5) terminals. The agreement requires a monthly payment of \$759 for 60 months to be completed on April 6, 2005. The balance of the agreement is \$39,468 as of December 31, 2000.

<u>Year Ending</u>	<u>Principal and Interest Due</u>
December 31, 2001	\$ 9,108
December 31, 2002	9,108
December 31, 2003	9,108
December 31, 2004	9,108
December 31, 2005	<u>3,036</u>
Total	<u>\$ 39,468</u>

D. Computer Software

The office of the County Clerk is committed to a lease agreement with Software Management, Inc. for software (CCLIX Full Service-6 terminal access and delinquent tax). The agreement requires a monthly payment of \$475 for 60 months to be completed on April 30, 2005 and a \$25 annual service fee. The balance of the agreement is \$24,700 as of December 31, 2000.

<u>Year Ending</u>	<u>Principal and Interest Due</u>
December 31, 2001	\$ 5,700
December 31, 2002	5,700
December 31, 2003	5,700
December 31, 2004	5,700
December 31, 2005	<u>1,900</u>
Total	<u>\$ 24,700</u>

REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



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Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the Nelson County Clerk for the year ended December 31, 2000, and have issued our report thereon dated October 18, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Nelson County Clerk's financial statement for the year ended December 31, 2000, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Nelson County Clerk's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a stylized flourish at the end.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
October 18, 2001

